

### **Amendments to the Drawings**

The attached one sheet of drawing in Appendix A includes the required changes to Figure 1. This sheet replace the original sheet for Figure 1.

More specifically, Step 60 of Figure 1 has been amended to state “select the 5 highest ranked securities ...,” as requested by the Examiner. No changes to the substance of the figures were made.

### **Remarks**

Claims 1-19 are currently pending. Claims 1-4, 9, and 10 have been amended. No new matter has been introduced by these amendments.

### **Drawings**

The drawings are objected to because Step 60 of Figure 1 conflicts with statements made in the specification. Step 60 of Figure 1 has been amended to state “select the 5 highest ranked securities ...,” as requested by the Examiner. No changes to the substance of the figures were made. The corrected drawing sheet has been labeled as “Replacement Sheet” and attached to this paper as Appendix A.

### **35 U.S.C. § 103 (Obviousness)**

Claims 1-11 and 19 are rejected under 35 U.S.C. 103(a) as being unpatentable over the Nike Securities L.P., SEC File 333-69772, FT 567, Pages 12-14 (the “Nike” reference), in view of U.S. Pat. No. 7,085,738 to Tarrant (the “Tarrant” reference) and U.S. Pub. Pat. App. No. 2002/0059126 A1 to Ricciardi (the “Ricciardi” reference). Applicants respectfully traverse the rejections.

The method of claim 1 directs to a computer implemented method for deciding the quantity of shares of each security selected to form an investment portfolio. Claim 1 has been amended to further define the steps of determining a first weight and a second weight of each selected security. Claims 2-11 and 19 all depend from claim 1, either directly or indirectly.

According to claim 1, the weight of a selected security in a portfolio consists of two parts: a first weight and a second weight. Both parts are dependent on the sector weight of the economic sector to which the selected security belong; the first part (i.e., the first weight) is further dependent on the intra sector weight of the selected security and a predetermined percentage (e.g., 40%); the second part (i.e., the second weight) is further dependent on the number of securities in the sector and the remaining percentage (e.g., 60%). Put another way, the sector weight of a selected economic sector is divided into two parts by a predetermined percentage; the predetermined percentage of the sector weight is shared by all selected securities in the selected economic sector dependent on the intra sector weight of each selected security; the remaining percentage of the sector weight is shared by all selected securities in the selected economic sector equally. Thus,

according to the method of claim 1, each selected security gets both a “dependent” weight and an “equal-weighted” weight, which are summed up to provide the weight of each selected security in the portfolio.

For example, let’s assume economic sector A constitutes 10% of the weight of an investment portfolio; there are five selected securities (1-5) in sector A; security 1 has an intra-sector weight of 25% within sector A; 40% of the sector weight ( $10\% \times 40\% = 4\%$ ) is shared by the five securities dependent on their intra-sector weights; the rest of the sector weight ( $10\% \times 60\% = 6\%$ ) is shared by the five securities equally. Therefore, in accordance with one embodiment of claim 1, security 1 has a dependent weight of 1% ( $4\% \times 25\% = 1\%$ ) and an equal-weighted weight of 1.2% ( $6\%/5 = 1.2\%$ ). Thus, the total weight of security 1 in the portfolio is 2.2% in this hypothetical example in accordance with one embodiment of claim 1.

None of the cited reference teaches or suggests such a method to determine the weight of a security in an investment portfolio, either alone or in combination.

The Office action admits that the Nike reference does not teach a method that determines a dependent weight and an equally-weighted weight for each selected security as required by claim 1.

The Tarrant reference describes a method and system for creating and managing an index fund based on an index of funds of hedge funds. The Office action finds that the Tarrant reference teaches a focused investment strategy based on a securities weighting, which could be either equally-weighted or cap-weighted. However, the Tarrant reference does not teach or suggest assigning both a cap-weighted weight and an equally-weighted weight to a security for a same portfolio, nor doing so in accordance with a predetermined percentage. Instead, the Tarrant reference only teaches that funds-of-hedge funds (FOFs) can be “weighted either equally across funds (equally weighted) or by size of the fund (capitalization-weighted).” Tarrant, col. 9, lines 20-22. Therefore, even if the teachings of the Nike reference and the Tarrant reference are combined together, they do not teach or suggest a method that determines both a dependent weight and an equal-weighted weight for each selected security in a portfolio as required by claim 1 of the present application.

The Ricciardi reference does not teach to determine both a dependent weight and an equal-

weighted weight for a selected security in an investment portfolio either, much less to add a dependent weight and an equal-weighted weight to provide the weight of the selected security in the portfolio.

The Ricciardi reference describes a system and method for establishing investment decision rules that will generate buy and sell signals for each security in a given universe of securities. The investment decision rules derived from a subset of related data are called an investment strategy. Six strategies are taught, which are (1) price pattern strategy, (2) macroeconomic strategy, (3) earnings strategy, (4) valuations strategy, (5) risk strategy, and (6) combined strategy. Under the combined strategy, it teaches: "Each security's buy and sell signals from all the foregoing strategies are weighted and summed." Ricciardi, page 2, ¶ 0022. When describing weighting the macro effects, the Ricciardi reference teaches: "As every stock group will have three separate effects (i.e., Sector, Industry and Region) these need to be weighted to give a score for each stock group between -100 and 100." Ricciardi, page 12, ¶ 0317. One example of weighting provided in the reference is: Sector 40%, Industry 40%, and Country 20%. This is completely different from the weighting and summing involved in claim 1 of the present technology. In claim 1, a pre-determined percentage (e.g., 40%) of the weight of an economic sector in an investment portfolio is shared by the selected securities in that sector dependent on each security's intra-sector weight; the remaining percentage (e.g., 60%) of the sector weight is shared by the selected securities in that sector equally. The two weight components (i.e., a first weight and a second weight) for each selected security are then added up to determine the weight of each security in the investment portfolio. The Ricciardi reference does not teach or suggest such a method, either alone or in combination with the Nike reference and/or the Tarrant reference.

The other cited reference, U.S. Pat. No. 6,920,432 (Carey) does not teach or suggests the missing elements either. Therefore, even the combined teaching of the prior art of record does not teach or suggest each and every limitation of claim 1 of the present technology. No *prima facie* case of obviousness of claim 1 can be established by the cited references. Applicants respectfully submit that the method of claim 1 is non-obvious over the prior art of record and should be allowed.

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All other pending claims (2-19) depend on claim 1. Therefore, they are not obvious and should be allowed over the prior art of record at least for the same reason as for claim 1.

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**Conclusion**

In light of the above amendments and remarks, the Examiner is respectfully requested to reconsider the present application, withdraw the rejections, and prepare a Notice of Allowability allowing all the pending claims (1-19).

The Commissioner is hereby authorized to charge any additional fees which are presently required, or credit any overpayment, to Deposit Account No. 13-0017.

Respectfully submitted,

DATE: July 9, 2007

A handwritten signature in black ink, appearing to be 'Yufeng Ma', is written over a horizontal line.

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